

Message Text

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PAGE 01 DACCA 02076 01 OF 02 100936 Z

11

ACTION OPIC-12

INFO OCT-01 NEA-10 ADP-00 EB-11 AID-20 TRSE-00 L-03 /057 W
----- 023147

R 100806 Z MAY 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9680

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 2076/1

E. O. 11652: N/ A

TAGS: EFIN, EAID, PK, BG

SUBJECT: INTERCONTINENTAL HOTEL REPAYMENT OF COOLEY LOAN

REF: (A) STATE 76649; (B) KARACH 661

SUMMARY: EMBASSY WISHES PROCEED WITH ACCEPTANCE IHC TAKA CHECK IN FULL PAYMENT COOLEY LOAN BUT HAS QUESTIONS WHETHER TRANSACTION MIGHT BE CHALLENGED BY BDG AND ALSO WHAT CONVERSION RATE/ S FROM PAK RUPEES TO BD TAKAS SHOULD BE EMPLOYED.

1. GARCIA- MANSELLA, INTERCONTINENTAL HOTELS CORP/ NEW YORK, CALLED ON EMBASSY MAY 9 IN COMPANY OF MOODIE, MANAGER, AMERICAN EXPRESS/ DACCA. GARCIA STATED IHC DESIRES AND INTENDS FULLY REPAY IMMEDIATELY PRINCIPAL AND INTEREST COOLEY LOAN 391- E-074 IN TAKAS FROM ACCOUNT IN NAME IHC/ NEW YORK WITH AMEX/ DACCA. EMBOFF ADVISED AUTHORITY RECEIVED TO ACCEPT PAYMENT (REF A) BUT BEFORE DRAWING ON THIS AUTHORITY WANTED ASSURANCE THAT TRANSFER OF FUNDS IN PAYMENT

PAKISTAN- PERIOD DEBT WOULD NOT BE QUESTIONED BY BDG. OUR CONCERN TWOFOLD:

(A) DOES IHC/ NEW YORK HAVE AUTHORITY FROM BDG TO DISCHARGE DEBT OWED BY BANGLADESH SERVICES LTD/ DACCA AS SUCCESSOR ORGANIZATION TO PAKISTAN SERVICES LTD/ KARACHI TO WHICH WE UNDERSTAND ORIGINAL COOLEY

LOAN MADE FOR DACCA HOTEL?

(B) WHAT RATE OR RATES SHOULD BE EMPLOYED TO CONVERT PAKISTANI RUPEE OBLIGATION INTO BANGLADESH TAKAS?

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PAGE 02 DACCA 02076 01 OF 02 100936 Z

2. WITH RESPECT FIRST QUESTION, GARCI ARGUED THAT COOLEY LOAN WAS FROM US GOVERNMENT TO IHC/ NEW YORK. LATTER NOW WOULD BE DISCHARGING DEBT FROM ITS FUNDS IN DACCA. NO QUESTION NEED ARISE RE BDG AUTHORITY TO PAY. OPIC REQUESTED TO ADVISE WHETHER FOREGOING TRUE OR WHETHER LOAN IN WHAT WE UNDERSTAND TO BE TRADITIONAL FASHION WAS TO APPROVED JOINT VENTURE IN PAKISTAN, TO WIT, PSL/ KARACHI, FOR HOTEL IN DACCA.

3. GARCI WENT ON TO EXHIBIT TEXT OF AGREEMENT JUST REACHED WITH BDG WHICH HE STATED WOULD SOON BE SIGNED. AGREEMENT APPARENTLY RESOLVES DISPUTE OF WHETHER IHC/ NEW YORK' S EQUITY INTEREST IN BSL IS DERIVED FROM EQUITY INTEREST IN PSL (17.5 PERCENT) OR IN RESPECT TO ACTUAL INPUTS INTO BUILDING DACCA HOTEL WHETHER IT SHOULD BE ENLARGED SIGNIFICANTLY. IHC/ NEW YORK HAS AGREED TO LOWER PERCENTAGE AND HAS SIGNED 5- YEAR OPERATING AND MANAGEMENT CONTRACT DATED MAY 1, 1973, IN EXCHANGE FOR BDG COMMITMENT TO PURCHASE IHC SHARES OF BSL FOR UP TO \$323,000 ON EXPIRATION OF CONTRACT PLUS ADDITIONAL SHARES OF BSL HELD IN TRUST BY IHC/ NEW YORK FOR THIRD PARTY/ PARTIES AMOUNTING TO UP TO \$170,000. GARCIA POINTED OUT FOLLOWING PARAGRAPH IN AGREEMENT:

4. QUOTE BDG WILL ALLOW BSL TO REMIT AND BSL WILL FORTHWITH SO EMIT TO IHC ALL OVERDUE ACCOUNTS OWING FROM BSL TO IHC. GOVERNMENT WILL PLACE NO RESTRICTIONS ON USE BY IHC OF ANY AMOUNTS PAID OR TO BE PAID TO IT IN TAKAS BY BSL (ON ACCOUNT OF IHC' S OPERATION AND MANAGEMENT OF THE HOTEL FROM DECEMBER 16, 1971, THROUGH APRIL 30, 1973) FOR REPAYMENT, IN BANGLADESH, OF LOANS FROM USAID (NOW OPIC). UNQUOTE. EMBASSY INTENDS TO AWAIT SIGNING OF AGREEMENT AND PROPOSES TO REQUEST CERTIFICATION FROM IHC THAT TAKAS TO BE TRANSFERRED TO OPIC WERE IN FACT ON ACCOUNT IHC' S OPERATION AND MANAGEMENT OF DACCA HOTEL FROM DECEMBER 16, 1971, THROUGH APRIL 30, 1973. WE FEEL THIS NECESSARY TO PROTECT USG AGAINST CHARGE IT IS ACCEPTING MONIES GENERATED BEFORE LIBERATION WHICH IHC APPARENTLY NOT, REPEAT NOT, AUTHORIZED TO PASS ON TO OPIC.

5. WITH REGARD TO SECOND QUESTION, ON CONVERSION RATE, KARACHI TEL (REF B) ADVISES THAT AMEX/ KARACHI HAS INFORMED AMEX/ DACCA THAT OUTSTANDING PRINCIPAL IS EQUAL TO \$209,621.11 AND OUTSTANDING INTEREST FOR PERIOD MARCH 15, 1973 TO APRIL 30, 1973, IS EQUIVALENT TO \$1,754.54. OTHER FEES ALREADY PAID.

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PAGE 03 DACCA 02076 01 OF 02 100936 Z

6. AMEX/ KARACHI ON CONVERSATION PRINCIPAL OF AROUND PAK RUPEES 2,235,000 (REF A) APPEARS TO HAVE USED RATE OF PRS 10.66 TO \$1. CONVERTING THEN THE DOLLAR AMOUNT TO TAKAS AT CURRENT RATE TKS 7.4237 TO \$1, EMBASSY WOULD EXPECT TO RECEIVE TKS 1,556,164.23.

7. AS REPORTED IN DACCA 3699, 9/6/72, BANGLADESH COINAGE ORDER 7/24/72 RETROACTIVE TO 3/26/71, ESTABLISHES PARITY BETWEEN TAKA AND RUPEE. COPIES COINAGE ORDER TRANSMITTED A-34, 9/8/72. SUCH PARITY HAS BEEN OVSERVED IN DAMAND WHICH EMBASSY MADE ON BEHALF OPIC FOR PAYMENTS DUE ON ANOTHER COOLEY LOAN, FROM BANGLADESH FABRICS, FORMERLY PAKISTAN FABRICS (MOST RECENT MESSAGE: LETTER TO BANGLADESH FABRICS GENERAL MANAGER FROM EMBASSY 1/ 29/73, COPY PASSED GEORGE BOND, ASSISTANT TREASURER OPIC).

8. SHOULDN' T PARITY BE OVSERVED IN CURRENT TRANSACTION, IN ACCORDANCE WITH WHAT WE THINK WOULD BE PROPER APPLICATION BANGLADESH COINAGE ORDER? RESULT, OF COURSE, WOULD BE LARGER TAKA PAYMENT TO OPIC- TKS 2.2 MILLION AS AGAINST TKS 1.6 MILLION. REQUEST OPIC GUIDANCE. IF DECISION MADE TO ACCEPT LOWER AMOUNT, SHOULDN' T EQUITY REQUIRE THAT PAYMENTS OUTSTANDING FROM BANGLADESH FABRICS BE ADJUSTED DOWN- WARD THROUGH CONVERSION OF PR AMOUNT (DEVALUED MAY 1972) THROUGH DOLLARS TO TAKAS (DEVALUED BUT NOT TO SAME EXTENT AS PR' S)?

9. DEPTTEL SLUGGED FROM OPIC BUT EMBASSY ASSUMES HAS BEEN CLEARED WITH TREASURY, AID AND STATE (EB AND NEA) , PARTICULARLY IN RESPECT TO IMPLICATIONS, IF ANY, OF OUR ACCEPTANCE OF REPAYMENT OF A SMALL LOCAL- CURRENCY PAKISTAN- PERIOD DEBT. AUTHORIZATION BY BDG MAY NOT SIGNIFY ANY CHANGE IN BDG REFUSAL TO ACCEPT, EVEN IN PRINCIPLE AND ON LIMITED BASIS, LIABILITY FOR PAST US AID TO EAST PAKISTAN. BDG MAY BE FOLLOWING GARCIA REASONING THAT IHJC/ NEW YORK IS DEBTOR AND MONEY BEING PAID IS IHC/ NEW YORK' S FROM THEIR ACCOUNT AMEX/ DACCA. ON OTHER HAND, IN ABSENCE CLARIFICATION BDG POSITION, WE CAN CONCEIVE THAT BDG MIGHT SUDDENLY ARGUE THAT IN APPROVING DISCHARGE THIS SMALL DEBT, BDG HAS MOVED TO ELIMINATE GROUND FOR CONDITION PLACED ON EXTENSION NEW US DEVELOPMENT AID FY 74.

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PAGE 01 DACCA 02076 02 OF 02 100927 Z

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ACTION OPIC-12

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----- 023066

R 100806 Z MAY 73
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 9681
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LIMITED OFFICIAL USE SECTION 2 OF 2 DACCA 2076/2

10. WOULD APPRECIATE COORDINATED GUIDANCE ON ALL FOREGOING POINTS
ASAP. IHC HAS WORKED HARD AND LONG TO ACHIEVE AGREEMENT WITH BDG,
WISHES TO RESOLVE ISSUE OF PAYMENT OPIC DEBT WHICH UNDOUBTEDLY
FIGURED INTO IHC CALCULATIONS SUPPORTING AGREEMENT, AND URGES
IMMEDIATE RESOLUTION QUESTIONS EMBASSY HAS RAISED. SUGGEST
HOWEVER
THAT EVERY EFFORT BE MADE TO RESOLVE WITHIN COMMERCIAL,
NONPOLITICAL
FRAMEWORK IN ORDER AVOID OPENING UP POTENTIALLY UNRESOLVABLE LINES
OF DISCUSSION BDG.

11. EMBASSY FILE THIS SUBJECT SOLELY ON TWO REFTELS PLUS
LETTER FROM BOND TO FULLER, 7/26/72, STATING OPIC WILL SETTLE
PAYMENTS DIRECTLY WITH IHC/ NEW YORK AND NO ACTION REQUIRED
BANGLADESH.

NEWBERRY

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*** Current Classification *** LIMITED OFFICIAL USE

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